



17 April 2024

Ms Elizabeth Batten
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

via email: exemptions@acc.gov.au

Dear Ms Batten,

Submission to application for authorisation [AA1000664]

We acknowledge the ACCC's ongoing consideration of Australia's cash-in-transit services markets and appreciate the opportunity to make a submission to this authorisation process.

The ASBFEO supports this application for authorisation, but submits that the parties to the proposed conduct should establish and commit to measures to ensure that regional small businesses have suitable access to cash deposit and withdrawal services. Unless this access is protected, including in the event of any suspension, disruption or exit of Armaguard's cash-in-transit business, the public benefit of the proposed conduct would be significantly diminished.

Convenient access to cash deposit and withdrawal services, facilitated by cash-in-transit services, remains a critical part of regional commerce. However, many regional small businesses have lost or faced a reduction in such access, as a result of closures of bank branch and Automated Teller Machine (ATMs), and the narrower scope of Bank@Post services compared to bank branch services.

The ASBFEO considers that this reduction in regional access to cash deposit and withdrawal services increases transaction costs, reduces economic activity and diminishes the ability of regional small businesses to compete. Furthermore, commercial decisions to close bank branches and ATMs without genuine community consultation can be perceived as inequitable by regional customers.

The reduction in the number of cash-access points in regional areas also diminishes the public benefit of the proposed conduct, which is intended to support the distribution of cash in Australia, including to regional centres.

Cash remains an important means of payment and payment acceptance for regional small businesses

More than 30 per cent of small businesses in Australia operate in a regional (non-metropolitan) area.¹ For such businesses, cash remains an important means of payment and payment acceptance. As the Reserve Bank found in its 2022 Consumer Payments Survey, 15 per cent of payments (by number) in regional Australia were made using cash.²

While the prevalence of cash usage in Australia has steadily declined since 2007, high cash users (defined as those who make 80 per cent or more of their in-person payments using cash) are more likely than not to face major inconvenience or genuine hardship if cash becomes hard to use or

¹ Australian Bureau of Statistics, *Regional Population 2021-22*, accessed 11 January 2024.

² Reserve Bank of Australia (RBA), *Consumer Payments Explorer* [website], n.d., accessed 9 April 2024.



gain access to.³ This is clearly illustrated in the case of regional high cash users, including small businesses.

Without local access to cash deposit and withdrawal services, regional cash users must commute to larger centres for these services, which can result in significantly higher transaction costs for regional commerce. This in turn can reduce regional economic activity and decrease the ability of regional small businesses to compete with businesses in larger centres.

The form of access to cash deposit and withdrawal services is also relevant to transaction costs. High-cash users were more likely to ‘usually’ or ‘most prefer’ to gain access to cash via a bank branch or Bank@Post than low-cash users.⁴ The Reserve Bank suggests this may be because high-cash users tend to prefer the face-to-face service offered at these outlets.⁵ The ASBFEO shares this view, particularly for regional small business high cash users.

Recommendation: The parties to the proposed conduct should ensure that regional small businesses and their customers have suitable access to cash deposit and withdrawal services.

Widespread closure of bank branches and ATMs has significantly reduced the convenience of access to cash deposit and withdrawal services, particularly for regional small businesses. Between June 2017 and June 2023, the number of bank branches and ATMs in regional and remote areas declined by over one-third and nearly one-half respectively.⁶

This drastic change means that regional small businesses have suddenly had to increase their reliance on other access points, such as Bank@Post. However, these are imperfect substitutes for bank branches, which offer a broader range of cash deposit and withdrawal services, such as no withdrawal limits. As a result, when a bank branch closes, customers that rely on those services may find cash access more inconvenient than before. This is particularly the case for high-cash users, including regional small businesses, which tend to have a preference to access cash via bank branches.

This is confirmed by survey data, which reveal that the highest cash users and those in regional or remote areas found their access to withdrawal and deposit services in 2022 more inconvenient than they did in 2019.⁷ The Reserve Bank finds that: ‘it is likely that the declining number of cash access points, and the distance to the next alternative, contributed to the increased inconvenience of access’.⁸ These effects are felt more acutely in regional and remote Australia than in metropolitan centres because of the greater distance to the next closest access point.⁹

³ T Livermore, J Mulqueoney, T Nguyen and B Watson, *The evolution of consumer payments in Australia: results from the 2022 Consumer Payments Survey*, RBA, November 2023, p. 11.

⁴ T Livermore, J Mulqueoney, T Nguyen and B Watson, *The evolution of consumer payments in Australia: results from the 2022 Consumer Payments Survey*, RBA, November 2023, p. 15.

⁵ T Livermore, J Mulqueoney, T Nguyen and B Watson, *The evolution of consumer payments in Australia: results from the 2022 Consumer Payments Survey*, RBA, November 2023, p. 15.

⁶ Australian Prudential Regulation Authority (APRA), *Authorised deposit-taking institutions points of presence June 2017 to June 2023* [data set], apra.gov.au, 18 October 2023, accessed 9 April 2024.

⁷ T Livermore, J Mulqueoney, T Nguyen and B Watson, *The evolution of consumer payments in Australia: results from the 2022 Consumer Payments Survey*, RBA, November 2023, pp. 16-17.

⁸ T Livermore, J Mulqueoney, T Nguyen and B Watson, *The evolution of consumer payments in Australia: results from the 2022 Consumer Payments Survey*, RBA, November 2023, p. 16.

⁹ R Guttman, T Livermore and Z Zhang, ‘The cash-use cycle in Australia’, *Bulletin*, RBA, March 2023, p. 45.



The clear harms of widespread and continuing closures of bank branches and other access points in regional Australia mean that, from both an economic and social perspective, steps should be taken to safeguard regional small businesses' access to cash deposit and withdrawal services. While this means that the proposed conduct should be authorised, it also requires that the parties to the proposed conduct establish and commit to measures that ensure that regional small businesses have suitable access to cash deposit and withdrawal services. This may require collective action on establishing or retaining bank branches and other access points. In addition, should the trend towards lower cash usage continue, it may require a more orderly and transparent approach to reducing cash infrastructure in regional areas, informed by community consultation.

The ASBFEO has previously put forward specific suggestions to policymakers that aim to improve regional small businesses' access to banking services. Some of these, reproduced below, may help to inform the parties to establish measures to ensure that regional small businesses have suitable access to cash deposit and withdrawal services:

1. The Australian Banking Association's Banking Closure Protocol should require banks to:
 - a) provide a genuine consultation process for local stakeholders to influence the decision to close a bank branch, and
 - b) adequately signal an impending bank branch closure to give local stakeholders the opportunity to adjust their behaviour and usual arrangements.
2. Bank fees for the use of Bank@Post should match fees charged in branch.
3. Banks should consider and manage the risk of local Australia Post Office (APO) franchises closing and leaving regional communities without banking services.
4. The commission structures for licensed post offices (LPOs) and community postal agents (CPAs) should ensure a suitable level of viability for regional LPOs and CPAs, which will protect the supply of Bank@Post services for regional small businesses.
5. Where a bank has decided to close a branch, it should be required to support the retention of its bankers in the regional community so that existing banking relationships and local market knowledge are retained, and small businesses seeking finance are supported.

If you would like to discuss this matter further, require any further information or would like us to supply small business case studies, please contact the ASBFEO via email at advocacy@asbfeo.gov.au.

Yours sincerely,

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman